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## Oi Wah Pawnshop Credit Holdings Limited

### 靚華押業信貸控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1319)

## ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 28 FEBRUARY 2021

### FINANCIAL HIGHLIGHTS

		2021 HK\$'000	2020 HK\$'000	Change
Revenue		182,768	223,959	-18.4%
Profit before taxation		112,078	128,282	-12.6%
Profit for the year attributable to shareholders		93,144	107,383	-13.3%
Net profit margin		51.0%	47.9%	
Basic earnings per share (in HK cents)		4.8	5.5	
Proposed dividend for the year				
– Final dividend (in HK cents)		0.64	0.87	
– Special dividend (in HK cents)		0.48	0.28	
		As at 28 February 2021 HK\$'000	As at 29 February 2020 HK\$'000	
Gross loan receivables – principal	Note 1	934,097	1,279,143	-27.0%
– Pawn loan receivables at amortised cost		31,930	30,045	
– Pawn loan receivables at fair value through profit or loss		100,971	111,770	
– Mortgage loan receivables at amortised cost		801,196	1,137,328	
Total assets		1,219,492	1,428,347	-14.6%
Total equity		948,853	895,319	6.0%
Net interest margin	Note 2	13.7%	13.1%	
For pawn loan services		40.2%	41.0%	
For mortgage loan services		10.0%	9.5%	

Note 1: Under HKFRS 9, pawn loan receivables under the Pawnbrokers Ordinance will be measured at fair value through profit or loss, and pawn loan and mortgage loan receivables under the Money Lenders Ordinance will be measured at amortised cost.

Note 2: Net interest margin during the year refers to our interest income in respect of our pawn loans and mortgage loans less the respective finance costs, divided by the average of month-end gross loan receivables balances of the corresponding loans during the year.

The board (the “**Board**”) of directors (the “**Directors**”) of Oi Wah Pawnshop Credit Holdings Limited (the “**Company**” or “**our Company**”) is pleased to announce the consolidated results of the Company and its subsidiaries (collectively, the “**Group**” or “**our Group**”) for the year ended 28 February 2021, together with the comparative figures for the preceding financial year, as follows:

## **CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

*for the year ended 28 February 2021*

*(Expressed in Hong Kong dollars)*

	<i>Notes</i>	<b>2021</b> <b>\$'000</b>	2020 \$'000
<b>Revenue</b>	4	<b>182,768</b>	223,959
Other income	6	<u>7,875</u>	<u>3,367</u>
<b>Operating income</b>		<b>190,643</b>	227,326
Other operating expenses	7	<b>(55,596)</b>	(58,666)
Charge for impairment losses on loan receivables	11(a)	<u><b>(2,042)</b></u>	<u>(2,011)</u>
<b>Profit from operations</b>		<b>133,005</b>	166,649
Finance costs	7(a)	<u><b>(20,927)</b></u>	<u>(38,367)</u>
<b>Profit before taxation</b>	7	<b>112,078</b>	128,282
Income tax	8	<u><b>(18,934)</b></u>	<u>(20,899)</u>
<b>Profit and total comprehensive income for the year attributable to shareholders</b>		<u><b>93,144</b></u>	<u>107,383</u>
<b>Earnings per share (in HK cents) – basic and diluted</b>	9	<u><b>4.8</b></u>	<u>5.5</u>

# **CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

*as at 28 February 2021*

*(Expressed in Hong Kong dollars)*

	<i>Notes</i>	<b>2021</b> <b>\$'000</b>	2020 \$'000
<b>Non-current assets</b>			
Plant and equipment		<b>1,220</b>	1,671
Right-of-use assets	<i>10</i>	<b>12,603</b>	23,436
Loan receivables	<i>11</i>	<b>47,040</b>	114,482
Other receivables	<i>12</i>	<b>2,167</b>	2,740
Deferred tax assets		<b>963</b>	745
		<b>63,993</b>	143,074
<b>Current assets</b>			
Reposessed assets		<b>6,228</b>	9,292
Loan receivables	<i>11</i>	<b>901,022</b>	1,184,153
Trade and other receivables	<i>12</i>	<b>2,945</b>	2,802
Cash and cash equivalents		<b>245,304</b>	89,026
		<b>1,155,499</b>	1,285,273
<b>Current liabilities</b>			
Accruals and other payables	<i>14</i>	<b>6,162</b>	6,704
Bank loans and overdrafts	<i>13</i>	<b>14,863</b>	103,752
Loans from the immediate holding company	<i>16</i>	<b>47,500</b>	104,000
Other loans	<i>15</i>	<b>23,312</b>	124,112
Lease liabilities	<i>10</i>	<b>9,752</b>	10,661
Debt securities issued	<i>17</i>	<b>74,967</b>	—
Tax payable		<b>2,310</b>	7,433
		<b>178,866</b>	356,662
<b>Net current assets</b>		<b>976,633</b>	928,611
<b>Total assets less current liabilities</b>		<b>1,040,626</b>	1,071,685

	<i>Notes</i>	<b>2021</b> <i>\$'000</i>	2020 <i>\$'000</i>
<b>Non-current liabilities</b>			
Debt securities issued	<i>17</i>	<b>87,843</b>	162,684
Lease liabilities	<i>10</i>	<b>3,930</b>	13,682
		<u><b>91,773</b></u>	<u>176,366</u>
<b>NET ASSETS</b>		<u><b>948,853</b></u>	<u>895,319</u>
<b>CAPITAL AND RESERVES</b>			
Capital		<b>19,324</b>	19,385
Reserves		<b>929,529</b>	875,934
<b>TOTAL EQUITY</b>		<u><b>948,853</b></u>	<u>895,319</u>

## NOTES TO THE FINANCIAL STATEMENTS

### 1 GENERAL INFORMATION

Oi Wah Pawnshop Credit Holdings Limited (the “**Company**”) was incorporated in the Cayman Islands and is listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The Company and its subsidiaries (hereinafter collectively referred to as the “**Group**”) are principally engaged in secured financing business in Hong Kong, including pawn loans and mortgage loans.

The directors of the Company (the “**Directors**”) consider the immediate parent and ultimate controlling party of the Group to be Kwan Lik Holding Limited, which is incorporated in the British Virgin Islands (the “**BVI**”), and TMF (Cayman) Ltd. as trustee of a reserved power discretionary trust for the benefit of Mr. Chan Chart Man, Mr. Chan Kai Ho Edward, Ms. Chan Ying Yu, Ms. Chan Mei Fong, Ms. Chan Nga Yu, Ms. Mui Hang Sin and Mr. Chan Kai Kow Macksion, which is incorporated in the Cayman Islands, respectively. These entities do not produce financial statements available for public use.

The Company’s registered office is located at Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman, KY1-1108, Cayman Islands and its head office and principal place of business in Hong Kong is located at Rooms 2302–2303, Kwan Chart Tower, No. 6 Tonnochy Road, Wanchai, Hong Kong.

The consolidated financial statements are presented in Hong Kong dollars (“**HKD**”), which is also the functional currency of the Company, and all values are rounded to the nearest thousand (\$’000) except when otherwise indicated.

### 2 PRINCIPAL ACCOUNTING POLICIES

Except as described below, the accounting policies and methods of computation used in the consolidated financial statements for the year ended 28 February 2021 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 29 February 2020.

In the current year, the Group has applied, for the first time, the Amendments to References to the Conceptual Framework in Hong Kong Financial Reporting Standards (“**HKFRSs**”) and the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) which are effective for the Group’s financial year beginning 1 March 2020:

Amendments to HKFRS 3	Definition of a Business
Amendments to Hong Kong Accounting Standard (“ <b>HKAS</b> ”) 1 and HKAS 8	Definition of Material
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

In addition, the Group has early applied 2021 Amendment to HKFRS 16, COVID-19-Related Rent Concessions beyond 30 June 2021, which is currently effective for annual reporting periods beginning on or after 1 June 2020, however, in 1 April 2021, the HKICPA extended the effective date for annual period beginning on or after 1 April 2021.

Except as described below, the application of the Amendments to References to the Conceptual Framework in HKFRSs and the amendments to HKFRSs in the current year has had no material effect on the Group’s financial performance and positions for the current and prior periods and/or on the disclosures set out in these consolidated financial statements.

## **Early application of Amendment to HKFRS 16, COVID-19-Related Rent Concessions**

The amendment to HKFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the Coronavirus Disease 2019 (“**COVID-19**”) pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease.

A lease applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying HKFRS 16 as if the changes were not lease modifications. Forgiveness or waiver of lease payments is accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

The Group has elected to early adopt the amendments and applies the practical expedient to all qualifying COVID-19-related rent concessions granted to the Group during the year. During the current year, the COVID-19-related rent concessions recognised in the profit or loss amounted to approximately HK\$694,000. There is no impact on the opening balance of equity at 1 March 2020.

### **3 BASIS OF PREPARATION**

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for loans receivables at fair value through profit or loss (“**FVPL**”) that are measured at fair values, at the end of each reporting period.

Historical cost is generally based on the fair value of the consideration given in exchange for goods or services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique.

## 4 REVENUE

The principal activities of the Group are engaged in secured financing business in Hong Kong, including pawn loans and mortgage loans.

Revenue represents interest income earned on pawn loans and mortgage loans, and results on disposal of repossessed assets. The amount of each nature of business of revenue recognised during the year is as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Revenue from pawn loan business		
– Interest income from pawn loan receivables calculated using the effective interest method	8,171	10,213
– Interest income from pawn loan receivables at FVPL	48,002	54,264
– Gain on disposal of repossessed assets	8,024	7,266
	<hr/>	<hr/>
Total revenue from pawn loan business	64,197	71,743
Revenue from mortgage loan business		
– Interest income from mortgage loan receivables calculated using the effective interest method	118,571	152,216
	<hr/>	<hr/>
Total	<u>182,768</u>	<u>223,959</u>

Gain on disposal of repossessed assets is the revenue from contracts with customers within the scope of HKFRS 15 and the timing of recognition is a point in time. Cost of disposal of repossessed assets for the year ended 28 February 2021 amounted to approximately HK\$36.5 million (2020: HK\$47.3 million).

During the years ended 28 February 2021 and 29 February 2020, the Group's customer base is diversified and no customer with whom transactions have exceeded 10% of the Group's revenue.

## 5 SEGMENT REPORTING

The Group has one reportable segment, which is the provision of secured financing business in Hong Kong, including pawn loans and mortgage loans. Therefore, no additional reportable segment and geographical information have been presented.

## 6 OTHER INCOME

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Rental income	2,292	1,894
Government subsidies (Note a)	2,102	–
Credit related fee income	1,870	1,281
COVID-19-related rent concession (Note b)	694	–
Bank interest income	5	5
Gain on disposal of a subsidiary (Note c)	–	100
Others	912	87
	<u>7,875</u>	<u>3,367</u>

### *Notes:*

- (a) During the year ended 28 February 2021, the Group recognised the COVID-19-related subsidies, of which amounted to approximately HK\$2,102,000 (2020: nil) related to Employment Support Scheme provided by the Government of Hong Kong Special Administrative Region under the Anti-Epidemic Fund. Government grants has been recognised as other income on a systematic basis over the periods in which the Group recognises the staff costs for which the government grants are intended to compensate. The Group recognised as other income for the year as the Group fulfilled all the relevant granting criteria.
- (b) Due to the outbreak of COVID-19, the Group has received rent concessions from lessors in the form of rent reduction. The Group has early adopted Amendments to HKFRS 16 and applied the practical expedient not to assess whether a rent concession occurring as a direct consequence of the COVID-19 is a lease modification.
- (c) Dream City Credit Limited, previously known as Oi Wah Finance Limited, which was an indirect wholly-owned subsidiary of the Group located in Hong Kong and owned a Money Lender License, has been disposed during the year ended 29 February 2020 to an independent third party at a cash consideration of approximately HK\$100,000.



## 7 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging (crediting):

	2021 HK\$'000	2020 HK\$'000
<b>(a) Finance costs</b>		
Interest on debt securities issued	9,907	9,932
Interest on other loans	4,458	17,529
Interest on loans from the immediate holding company	3,891	5,311
Interest on bank loans and overdrafts	1,529	4,054
Interest on lease liabilities	1,142	1,541
	<u>20,927</u>	<u>38,367</u>
<b>(b) Staff costs</b>		
Salaries and other benefits	19,049	19,683
Directors' remuneration	10,125	9,686
Contributions to Mandatory Provident Fund ("MPF")	526	525
(Reversal of) charge for provision for long service payment	(584)	525
	<u>29,116</u>	<u>30,419</u>
<b>(c) Other operating expenses</b>		
Premises and equipment expenses excluding depreciation:		
– rental of premises	2,343	1,683
– maintenance, repairs and others	1,054	1,171
	<u>3,397</u>	<u>2,854</u>
Auditor's remuneration	830	830
Depreciation of plant and equipment	501	486
Depreciation of right-of-use assets	10,833	11,511
Advertising expenses	3,099	4,143
Legal and professional fees	2,662	3,092
Net (gain) loss on loan receivables at FVPL	(9)	26
Others	5,167	5,305
	<u>23,083</u>	<u>25,393</u>
	<u>55,596</u>	<u>58,666</u>

## 8 INCOME TAX

	2021 HK\$'000	2020 HK\$'000
<b>Hong Kong Profits Tax</b>		
Provision for the year		
– Current tax	18,348	21,420
– Under (over) provision in prior years	804	(5)
	<u>19,152</u>	<u>21,415</u>
<b>Deferred tax</b>	<u>(218)</u>	<u>(516)</u>
	<u><u>18,934</u></u>	<u><u>20,899</u></u>

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “**Bill**”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2.0 million of profits of qualifying corporation will be taxed at 8.25%, and profits above HK\$2.0 million will be taxed at 16.5%. For both years, Hong Kong profits tax of the qualified entity of the Group is calculated in accordance with the two-tiered profits tax rates regime. The profits of other Group entities in Hong Kong not qualifying for the two-tiered profits tax rates regime will continue to be taxed at the flat rate of 16.5%.

During the year ended 28 February 2021, an under provision for Hong Kong Profits Tax was mainly arising from part of the advertising expenses in previous years were subsequently disqualified as deductible expense by Hong Kong Inland Revenue Department.

Pursuant to the rules and regulations of the Cayman Islands and the BVI, the Group is not subject to any income tax in the Cayman Islands and the BVI.

The income tax for the year can be reconciled to the profit before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

	2021 HK\$'000	2020 HK\$'000
Profit before taxation	<u>112,078</u>	<u>128,282</u>
Notional tax on profit before taxation, calculated at applicable rates	18,328	21,001
Tax effect of non-taxable income	(348)	(24)
Tax effect of non-deductible expenses	218	47
Statutory tax concession (Note)	(68)	(120)
Under (over) provision in prior years	<u>804</u>	<u>(5)</u>
Income tax	<u><u>18,934</u></u>	<u><u>20,899</u></u>

*Note:* Statutory tax concession represented a reduction of Hong Kong Profits Tax for the year of assessment 2020/2021 and 2019/2020 by 100%, subject to a ceiling of HK\$10,000 and HK\$20,000 respectively.

## 9 EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to shareholders of the Company is based on the following data:

### *Earnings*

	2021 HK\$'000	2020 HK\$'000
Profit for the year attributable to shareholders of the Company	<u>93,144</u>	<u>107,383</u>

### *Weighted average number of ordinary shares*

	2021 Number of shares '000	2020 Number of shares '000
Issued ordinary shares at 1 March	1,938,468	1,938,468
Effect of purchase of own shares	<u>(5,626)</u>	<u>—</u>
Weighted average number of ordinary shares for the purposes of basic earnings per share	<u>1,932,842</u>	<u>1,938,468</u>

The basic earnings per share and the diluted earnings per share are the same as there were no potential dilutive ordinary shares in issue during both years.

## 10 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

### **Right-of-use assets**

	2021 HK\$'000	2020 HK\$'000
Leased properties – buildings	<u>12,603</u>	<u>23,436</u>

The Group has lease arrangements for leased properties. The lease terms are generally ranged from one to five years with fixed lease payments.

During the year ended 28 February 2021, the Group did not enter into any new lease of leased properties that should be recognised as right-of-use asset (2020: HK\$8.6 million).

During the year ended 28 February 2021, the Group has subleased part of the leased properties. The Group has classified the sublease as operating lease. During the year ended 28 February 2021, the Group recognised rental income from subleasing right-of-use assets of approximately HK\$2.3 million (2020: HK\$1.9 million).

#### Lease liabilities

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current	9,752	10,661
Non-current	3,930	13,682
	<u>13,682</u>	<u>24,343</u>

#### Amounts payable under lease liabilities

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within one year	9,752	10,661
After one year but within two years	2,809	9,752
After two years but within five years	1,121	3,930
	<u>13,682</u>	<u>24,343</u>
Less: Amount due for settlement within 12 months (shown under current liabilities)	<u>(9,752)</u>	<u>(10,661)</u>
Amount due for settlement after 12 months	<u>3,930</u>	<u>13,682</u>

During the year ended 28 February 2021, the Group did not enter into any new lease agreement in respect of renting leased properties and recognising lease liabilities (2020: HK\$8.6 million).

#### Rent concessions

During the year, the Group received rent concessions in the form of a discount on fixed payments during the period of severe social distancing and travel restriction measures introduced to contain the spread of COVID-19.

These rent concessions occurred as a direct consequence of COVID-19 pandemic, which met all of the conditions in HKFRS 16.46B, and the Group applied the practical expedient not to assess whether the changes constitute lease modifications. Accordingly, during the current year, rent concessions totaling approximately HK\$694,000 have been accounted as negative variable lease payments and recognised in the profit or loss, with a corresponding adjustment to the lease liabilities.

## Amounts recognised in profit or loss

	2021 HK\$'000	2020 HK\$'000
Depreciation of right-of-use assets – leased properties	10,833	11,428
Depreciation of right-of-use assets – motor vehicle	–	83
Interest expense on lease liabilities	1,142	1,541
Expense relating to short-term leases	2,343	1,683
Rent concession related to COVID-19	(694)	–
Income from subleasing right-of-use assets	(2,292)	(1,894)

During the year ended 28 February 2021, the total cash outflow for leases amounted to approximately HK\$13.5 million (2020: HK\$13.8 million).

## 11 LOAN RECEIVABLES

	2021 HK\$'000	2020 HK\$'000
<b>Loan receivables at amortised cost:</b>		
– Pawn loans	31,930	30,045
– Accrued interests of pawn loans	699	784
Pawn loan receivables	32,629	30,829
– Mortgage loans	801,196	1,137,328
– Accrued interests of mortgage loans	9,874	12,278
	811,070	1,149,606
Less: Impairment allowance on mortgage loans – Stage 3	(5,053)	(3,011)
Net mortgage loan receivables	806,017	1,146,595
Net loan receivables at amortised cost	838,646	1,177,424
<b>Loan receivables at FVPL:</b>		
Pawn loans	109,416	121,211
<b>Total loan receivables</b>	948,062	1,298,635
Current portion included under current assets	(901,022)	(1,184,153)
Amounts due after one year included under non-current assets	47,040	114,482

In determining the expected credit losses for loan receivables, the Directors have determined using a number of key parameters and assumptions, including the identification of loss stages, estimates of probability of default, loss given default, exposures at default, discount rate, adjustments for forward-looking information, value of collateral and other adjustment factors.

There has been no change in the estimation techniques or significant assumptions made during both years in assessing the loss allowance for loan receivables.

**(a) Movement in impairment losses**

	<b>2021</b>		<b>2020</b>	
	<b>Expected credit loss</b>		<b>Expected credit loss</b>	
	<b>Stage 3</b>	<b>Total</b>	<b>Stage 3</b>	<b>Total</b>
	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
At 1 March	<b>3,011</b>	<b>3,011</b>	1,000	1,000
Impairment losses charged to profit or loss	<b>2,042</b>	<b>2,042</b>	2,011	2,011
At 28 February/29 February	<b>5,053</b>	<b>5,053</b>	3,011	3,011

During the year ended 28 February 2021, the Group has provided approximately HK\$5.1 million (2020: HK\$3.0 million) expected credit loss due to a borrower who is unlikely to pay its credit obligations to the Group in full.

**(b) Ageing analysis**

Ageing analysis of the gross amount of loan receivables is prepared based on contractual due date and not net of loss allowance as follows:

	<b>Pawn loans at amortised cost</b> <i>HK\$'000</i>	<b>Pawn loans at FVPL</b> <i>HK\$'000</i>	<b>Mortgage loans</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
<b>28 February 2021</b>				
Not past due	32,124	107,285	503,512	642,921
Less than 1 month past due	505	1,357	241,223	243,085
1 to less than 3 months past due	–	324	36,243	36,567
3 to less than 6 months past due	–	450	–	450
6 months to 1 year past due	–	–	22,754	22,754
Over 1 year past due	–	–	7,338	7,338
	<u>32,629</u>	<u>109,416</u>	<u>811,070</u>	<u>953,115</u>
<b>29 February 2020</b>				
Not past due	28,196	117,913	776,130	922,239
Less than 1 month past due	2,416	2,264	248,613	253,293
1 to less than 3 months past due	–	523	94,704	95,227
3 to less than 6 months past due	217	511	22,821	23,549
6 months to 1 year past due	–	–	–	–
Over 1 year past due	–	–	7,338	7,338
	<u>30,829</u>	<u>121,211</u>	<u>1,149,606</u>	<u>1,301,646</u>

As at 28 February 2021, of these mortgage loans which have been past due for one month or above, except for one mortgage loan receivable amounted to approximately HK\$7.3 million (2020: HK\$7.3 million) on which an allowance for expected credit loss amounting of approximately HK\$5.1 million (2020: HK\$3.0 million) had been recognised, the respective valuations of the collaterals can fully cover the outstanding balances of these loans at the end of reporting periods. In respect of the mortgage loans which have been past due for less than 1 month, the amounts mainly represent occasional delay in repayment and are not an indication of significant deterioration of credit quality of these mortgage loans.

## 12 TRADE AND OTHER RECEIVABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>Non-current</b>		
Others	<u>2,167</u>	<u>2,740</u>
<b>Current</b>		
Trade receivables	–	700
Deposits and payments in advance	2,843	2,000
Others	<u>102</u>	<u>102</u>
	<u>2,945</u>	<u>2,802</u>

Trade receivables are due within 60 days from the date of billing. All of the trade and other receivables are not impaired as the expected loss rate is close to zero and expected to be recovered within one year.

The ageing analysis of trade receivables presented based on invoice date which approximate to the respective revenue recognition dates at the end of the reporting period is as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
0-60 days	<u>–</u>	<u>700</u>

Trade receivables that were not past due relate to a wide range of customers for whom there was no recent history of default.



### 13 BANK LOANS AND OVERDRAFTS

The details of the bank loans and overdrafts were as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Unsecured bank overdrafts (note a)	–	33,298
Bank loans, secured (note b)	–	40,000
Bank loans, unsecured (note c)	<u>14,863</u>	<u>30,454</u>
	<u>14,863</u>	<u>70,454</u>
Total bank loans and overdrafts	<u><u>14,863</u></u>	<u><u>103,752</u></u>

*Notes:*

- (a) As at 28 February 2021, unsecured bank overdraft facilities of HK\$41.5 million (2020: HK\$41.5 million) were provided to the subsidiaries and utilised to the extent as disclosed above. As at 29 February 2020, the bank overdrafts carried floating interest rate ranging from prime rate minus 0.75% to prime rate plus 1.5% per annum with repayment on demand clause.
- (b) As at 28 February 2021, uncommitted secured revolving bank loan facility of the lower of HK\$50.0 million (2020: HK\$50.0 million) and a certain percentage of the aggregate principal amount of the mortgage loan receivables of a subsidiary which are then charged to the banks were obtained. The tenor for the facility ranged from one to six months as selected by the subsidiary. The available uncommitted banking facility after taking into consideration of the drawdown was HK\$50.0 million (2020: HK\$10.0 million). The uncommitted secured revolving bank loan facility was secured by certain mortgage loan receivables with a carrying value of approximately HK\$114.5 million (2020: HK\$131.1 million). As at 29 February 2020, the bank loans carried floating interest rate of three months Hong Kong Interbank Offered Rate (“**HIBOR**”) plus 4% per annum.
- (c) As at 28 February 2021, unsecured bank loan facilities of approximately HK\$34.4 million (2020: HK\$30.5 million) were provided to the Company and the subsidiaries and utilised to the extent as disclosed above. As at 28 February 2021 and 29 February 2020, the bank loans carried floating interest rate ranged from prime rate minus 0.75% to prime rate plus 1.5% per annum.

During the year, the Group had fulfilled all the financial covenants, if any, under the Group’s banking facilities and all banking facilities were guaranteed by the Company and secured by certain loan receivables held by the Group.

## 14 ACCRUALS AND OTHER PAYABLES

	2021 HK\$'000	2020 HK\$'000
Accrued interest expenses	1,730	2,603
Accrued expenses	2,711	2,001
Provision for long services payment	616	1,200
Other payable and deposit received	1,105	900
	<u>6,162</u>	<u>6,704</u>

All of the accruals and other payables are expected to be settled within one year or are repayable on demand.

## 15 OTHER LOANS

During the year ended 28 February 2021, the Group obtained uncommitted secured revolving loan facilities from an independent third party. The limit of the facilities is the lower of HK\$439.0 million (2020: HK\$439.0 million) and a certain percentage of the aggregate principal amount of certain mortgage loan receivables of the subsidiaries which are then sub-charged/sub-mortgaged to the independent third party. The facilities are interest-bearing at Hongkong and Shanghai Banking Corporation Limited (“**HSBC**”) prime rate plus 2% per annum (2020: HSBC prime rate plus 2% per annum) and the tenor for the facilities is one year.

As at 28 February 2021, the available uncommitted loan facilities after taking into consideration of the drawdown was HK\$128.5 million (2020: HK\$18.0 million). These loan facilities were secured by certain mortgage loan receivables for the Group with a carrying value of approximately HK\$189.8 million (2020: HK\$177.6 million).

## 16 LOANS FROM THE IMMEDIATE HOLDING COMPANY

During the year ended 28 February 2021, the Group obtained an unsecured revolving loan facility from the immediate holding company with a facility limit of HK\$200.0 million (2020: HK\$200.0 million). The loans are interest-bearing at 5% per annum (2020: 5% per annum).

As at 28 February 2021, the available loan facility after taking into consideration of the drawdown was approximately HK\$152.5 million (2020: HK\$96.0 million) and the accrued interest payable as at 28 February 2021 was approximately HK\$23,000 (2020: HK\$198,000).

## 17 DEBT SECURITIES ISSUED

	2021 HK\$'000	2020 HK\$'000
Current	74,967	—
Non-current	87,843	162,684
	<u>162,810</u>	<u>162,684</u>

The debt securities are unsecured, denominated in HKD, interest-bearing ranging from 6% to 7% per annum (2020: 6% to 7% per annum) with interest coupon being paid semi-annually and will be matured between 2021 and 2025. All debt securities issued are measured at amortised cost.

## 18 DIVIDENDS

Dividends payment during the year:

	2021 HK\$'000	2020 HK\$'000
Dividends recognised as distribution during the year:		
2021 Interim dividend – 0.81 cents (2020: 2020 interim dividend 1.07 cents) per share	15,652	20,742
2020 Final dividend – 0.87 cents (2020: 2019 final dividend 0.73 cents) per share	16,812	14,151
2020 Special dividend – 0.28 cents (2020: nil) per share	<u>5,410</u>	<u>—</u>

Subsequent to the end of reporting periods, a final dividend of 0.64 cents (2020: 0.87 cents) and a special dividend of 0.48 cents (2020: 0.28 cents) in respect of the year ended 28 February 2021 per share have been proposed by the Directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

Oi Wah Pawnshop Credit Holdings Limited (the “**Company**” or “**our Company**”), and its subsidiaries (together with the Company collectively referred to as the “**Group**” or “**our Group**”) is a financing service provider in Hong Kong operating under the brand name of “Oi Wah”, principally engaged in providing secured financing, including mortgage loans and pawn loans.

### MORTGAGE LOAN BUSINESS

For the year ended 28 February 2021 (“**FY2021**”), the mortgage loan business remained a major source of income of the Group. Revenue generated from the mortgage loan business in FY2021 accounted for approximately 64.9% of the Group’s total revenue during the year. Given the outbreak of the pandemic of Coronavirus Disease 2019 (“**COVID-19**”) and the subsequent decline of the global and local economies, the local loan demand has been weakened. During the year, the revenue from the mortgage loan business decreased from approximately HK\$152.2 million for the year ended 29 February 2020 (“**FY2020**”) to approximately HK\$118.6 million in FY2021, representing a decrease of 22.1% or approximately HK\$33.6 million. The gross mortgage loan receivables was approximately HK\$801.2 million as at 28 February 2021 with the total new mortgage loans granted amounted to approximately HK\$392.1 million in FY2021. During the year, net interest margin of the mortgage loan business increased by 0.5% to approximately 10.0% (FY2020: approximately 9.5%). During the year, there were 143 new cases of mortgage loan transactions, with average loan size of approximately HK\$2.7 million.

In FY2021, the Group continued to adopt a prudent and cautious approach when granting loans, as well as maintained a higher proportion of first mortgage loans in the Group’s portfolio to manage risk. During the year, the loan-to-value ratio for the first mortgage is around 48.9%, while the overall loan-to-value ratio for subordinary mortgage is around 59.2%, of which, loan-to-value ratio of subordinary mortgage that the Group participate in is around 8.7%.

### PAWN LOAN BUSINESS

During FY2021, the revenue from the pawn loan business decreased from approximately HK\$71.7 million to approximately HK\$64.2 million, representing a decrease of 10.5% or approximately HK\$7.5 million. The aggregate pawn loan amount decreased by 11.7% or approximately HK\$87.6 million from approximately HK\$748.5 million in FY2020 to approximately HK\$660.9 million in FY2021. The decrease was mainly attributed to the impact of COVID-19 on foot traffic. In response to this, the Group is currently developing a mobile app to capture opportunities for online pawn loan service.

During the year, the Group continued to channel resources to advertising and promotion to enhance the Group's brand exposure. Such effort has generated demand for one-to-one pawn loan appointment services for pawn loans exceeding HK\$0.1 million. Thus, the average loan amount increased to approximately HK\$10,200 per transaction (FY2020: approximately HK\$9,300 per transaction).

## INDUSTRY OVERVIEW

During the year, the prices and transaction volumes of the private housing market in Hong Kong remained stable despite the uncertainty of COVID-19 outbreak. According to the figures from the Rating and Valuation Department, the price index for lived-in homes in the first quarter of 2021 resumed its upward trend, mainly due to the gradual retreat of the COVID-19 outbreak. The economy is expected to recover further, and the conditions are right to unlock the accumulated demand for home ownership. The board of the Directors ("**Board**") is of the view that the low interest rate environment will continue to support the local home prices. During the year, the government has announced the abolition of Double Stamp Duty (DSD) for non-residential property transactions and a pilot scheme for charging land premiums at standard rates for lease modifications for redevelopment of industrial buildings (IBs), however, the Board is still conservative of the industrial and commercial properties market. Therefore, the Group will remain cautious for the valuation of such type of properties when granting loans, in order to maintain a prudent risk management.

Regarding the pawn loan business, the Group is of the view that luxurious goods market and international gold prices will remain positive and that its pawn loan business will remain stable.

## FINANCIAL REVIEW

### Revenue

Our Group's revenue reduced from approximately HK\$224.0 million for the FY2020 to approximately HK\$182.8 million for the FY2021, representing a decrease of approximately HK\$41.2 million or 18.4%. The decrease was attributable to the decrease in our interest income from mortgage business by approximately HK\$33.6 million or 22.1% from approximately HK\$152.2 million in FY2020 to approximately HK\$118.6 million in FY2021 and the decrease in our revenue from pawn loan business by approximately HK\$7.5 million or 10.5% from approximately HK\$71.7 million in FY2020 to approximately HK\$64.2 million in FY2021.

### ***Mortgage loan business***

The decrease in our interest income from mortgage business was mainly due to the fact that under the global outbreak of the COVID-19 pandemic, the Group has adopted a more cautious approach in granting our mortgage loan during FY2021. Moreover, as most of our customers are SMEs, they preferred to reduce their debt equity ratio in this gloominess situation. As such, the average month end balance for the gross mortgage loans receivables for the year decreased from approximately HK\$1,220.3 million in FY2020 to approximately HK\$992.5 million in FY2021 with total new mortgage loans granted of approximately HK\$392.1 million during FY2021 (FY2020: approximately HK\$508.8 million).

### ***Pawn loan business***

The decrease in our pawn loan business was due to the decrease in our interest income earned on our pawn loan receivables by approximately HK\$8.3 million or 12.9% from approximately HK\$64.5 million in FY2020 to approximately HK\$56.2 million in FY2021, netting off the increase in revenue from disposal of repossessed assets by approximately HK\$0.7 million.

The decrease in our interest income earned on our pawn loan receivables was primarily attributable to the outbreak of COVID-19 during FY2021. As our customers need to visit our pawn shops for pawning goods, less people going out caused less business opportunities. Therefore, the aggregated amounts of pawn loan granted decreased from approximately HK\$748.5 million in FY2020 to approximately HK\$660.9 million in FY2021 and the average month end balance for the gross pawn loans receivables for the year decreased from approximately HK\$156.5 million in FY2020 to approximately HK\$139.6 million in FY2021.

Revenue from disposal of repossessed assets represents the gain/(loss) of the Group as we sold the repossessed assets in the event of default in repayment of our pawn loans. The increase in our gain on disposal of repossessed assets in FY2021 was mainly due to the increase of the gold price per ounce from around US\$1,600 in February 2020 to around US\$2,050 in August 2020 and maintain at around US\$1,900 in the second half of FY2021. Since every pawn loan has a loan term of four lunar months, revenue was derived from the appreciation of gold price in FY2021 and thus the increase in gain on disposal of repossessed assets in FY2021 was recorded.

### ***Other revenue***

Other revenue increased from approximately HK\$3.4 million in FY2020 to approximately HK\$7.9 million in FY2021, representing an increase of approximately HK\$4.5 million or 132.4%, which was mainly due to (i) the receipt of a one-off subsidy from The Government of the Hong Kong Special Administrative Region under the Anti-Epidemic Fund for relieving financial burdens of the businesses of approximately HK\$2.1 million; (ii) an increase in our credit-related fee income by approximately HK\$0.6 million representing early repayment fees and handling charges from our mortgage loan customers; and (iii) rent concession received from landlords due to COVID-19 of approximately HK\$0.7 million.

## **Operating expenses**

Operating expenses decreased by approximately HK\$3.1 million or 5.3% from approximately HK\$58.7 million in FY2020 to approximately HK\$55.6 million in FY2021.

During FY2021, staff costs slightly decreased by approximately HK\$1.3 million or 4.3% from approximately HK\$30.4 million in FY2020 to approximately HK\$29.1 million in FY2021. The decrease was mainly contributed by the decrease in the salaries and other benefits to staff of approximately HK\$0.6 million.

According to HKFRS 16, all operating lease with contract terms of more than 1 year should be treated as finance lease. Thus, the contractual liabilities for the rental agreements are discounted and recognised as finance lease assets. Rental expenses and depreciation for right-to-use assets remained at approximately HK\$13.2 million in both FY2021 and FY2020.

Apart from staff costs, rental expenses and depreciation for right-to-use assets as mentioned above, other operating expenses decreased by approximately HK\$1.8 million or 11.9% from approximately HK\$15.1 million in FY2020 to approximately HK\$13.3 million in FY2021. This was mainly due to the decrease in advertising expenses and legal and professional fees by approximately HK\$1.0 million and HK\$0.4 million respectively.

## **Finance costs**

During the year, the finance costs decreased by approximately HK\$17.5 million or 45.6% from approximately HK\$38.4 million in FY2020 to approximately HK\$20.9 million in FY2021. It was mainly due to the decrease in bank loans and overdrafts, other loans and loans from the immediate holding company in FY2021.

## **Charged for impairment losses on loan receivables**

### ***For FY2021***

The charge for impairment losses on loan receivables of approximately HK\$2.0 million in FY2021 was measured based on the requirement under HKFRS 9. The charge for impairment losses represented a further impairment made to a mortgage loan (same mortgage loan impaired in FY2019) which had been overdue for more than 1 year and the management considered there is an increasing possibility which the valuation of the collateral of the respective loan cannot fully cover the outstanding amount.

### ***For FY2020***

The charge for impairment losses on loan receivables of approximately HK\$2.0 million in FY2020 was measured based on the requirement under HKFRS 9. The charge for impairment losses represented a further impairment made to a mortgage loan (same mortgage loan impaired in FY2019) which had been overdue for more than 1 year and the management considered there is an increasing possibility which the valuation of the collateral of the respective loan cannot fully cover the outstanding amount.

### **Income tax expenses**

Our Group's effective tax rate increased from approximately 16.3% in FY2020 to approximately 16.9% in FY2021. The increase was mainly due to additional assessment amounted of approximately HK\$0.8 million, which is due to part of the advertising expenses in previous years were subsequently disqualified as deductible expense by Hong Kong Inland Revenue Department.

### **Profit and total comprehensive income for the year**

Our Group's profit for FY2021 decreased to approximately HK\$93.1 million from approximately HK\$107.4 million in FY2020, representing a decrease of approximately HK\$14.3 million or 13.3%. The decrease was mainly attributable to the decrease in revenue by approximately HK\$41.2 million, netting off with the increase in other revenue of approximately HK\$4.5 million and decrease in finance costs amounted to approximately HK\$17.5 million.

### **Liquidity and financial resources**

During FY2021, the Group's operational and capital requirements were financed principally through retained earnings, bank loans and overdrafts, loans from the immediate holding company, other loans and debt securities issued.

Based on the Group's current and anticipated levels of operation, the Group's future operations and capital requirements will be mainly financed through bank loans and overdrafts, loans from the immediate holding company, other loans, retained earnings and share capital. There were no significant commitments for capital expenditure as at 28 February 2021.



As at 28 February 2021, cash and cash equivalents (net of bank overdraft) amounted to approximately HK\$245.3 million, representing a net increase of approximately HK\$189.6 million as compared to the position as at 29 February 2020. The increase was attributable to the following items:

	<b>For the year ended 28 February 2021 HK\$'000</b>	<b>For the year ended 29 February 2020 HK\$'000</b>
Net cash generated from operating activities	<b>471,661</b>	243,347
Payment for the purchase of plant and equipment	<b>(50)</b>	(266)
Net repayment of other loans	<b>(100,800)</b>	(141,120)
Net repayment of bank loans	<b>(55,591)</b>	(8,229)
Net (repayment)/proceed in loans from the immediate holding company	<b>(56,500)</b>	10,000
Payment for repurchase of shares	<b>(1,736)</b>	–
Dividend paid	<b>(37,874)</b>	(34,893)
Finance costs paid	<b>(20,532)</b>	(37,229)
Government subsidy received	<b>2,102</b>	–
Other net outflow	<b>(11,104)</b>	(12,033)
	<hr/>	<hr/>
Net increase in cash and cash equivalents	<b>189,576</b>	19,577

### **Pledge of assets**

As at 28 February 2021, the Group had pledged its mortgage loan receivables with net book value of approximately HK\$304.3 million (29 February 2020: HK\$308.7 million) for the purpose of obtaining facilities from banks and other independent third parties.

### **Contingent liabilities**

There were no significant contingent liabilities for the Group as at 28 February 2021.

## Key financial ratios

	As at 28 February 2021	As at 29 February 2020
Current ratio <sup>(1)</sup>	6.5x	3.6x
Gearing ratio <sup>(2)</sup>	26.2%	55.2%
	For the year ended 28 February 2021	For the year ended 29 February 2020
Return on total assets <sup>(3)</sup>	7.6%	7.5%
Return on equity <sup>(4)</sup>	9.8%	12.0%
Net profit margin <sup>(5)</sup>	51.0%	47.9%
Net interest margin <sup>(6)</sup>	13.7%	13.1%
– pawn loan services	40.2%	41.0%
– mortgage loan services	10.0%	9.5%

### Notes:

- (1) Current ratio is calculated by dividing current assets by current liabilities as at the respective year end.
- (2) Gearing ratio is calculated by dividing total borrowings (summation of bank loans and overdrafts, loans from the immediate holding company, other loans and debt securities issued) by total equity as at the respective year end.
- (3) Return on total assets is calculated by dividing profit for the year by the total assets as at the respective year end.
- (4) Return on equity is calculated by dividing profit for the year by the total equity as at the respective year end.
- (5) Net profit margin is calculated by dividing profit for the year by the turnover for the respective year.
- (6) Net interest margin during the year refers to our interest income in respect of our pawn loans and mortgage loans less the respective finance costs, divided by the average of month-end gross loan receivables balances of the corresponding loans during the year.

## **Current ratio**

Our Group's current ratio increased from approximately 3.6 times as at 29 February 2020 to approximately 6.5 times as at 28 February 2021, which was mainly due to the decrease in other loans, bank loans and overdrafts and loans from the immediate holding company that were amounted to approximately HK\$100.8 million, HK\$88.9 million and HK\$56.5 million respectively, and was offset by the increase in current debt securities issued of approximately HK\$75.0 million.

## **Gearing ratio**

Our Group's gearing ratio decreased from approximately 55.2% as at 29 February 2020 to approximately 26.2% as at 28 February 2021, which was mainly triggered by the decrease in other loans, bank loans and overdrafts and loans from the immediate holding company which were amounted to approximately HK\$100.8 million, HK\$88.9 million and HK\$56.5 million respectively as a result of the decrease of our mortgage loan portfolio.

## **Return on total assets and return on equity**

Our return on total assets slightly increased from approximately 7.5% in FY2020 to 7.6% in FY2021. No material change was noted.

Our return on equity decreased from approximately 12.0% in FY2020 to approximately 9.8% in FY2021. This was mainly due to the decrease in gearing ratio during FY2021. In view of the current volatile market conditions, the management of the Company decided to adopt a more prudent strategy in granting new loans and thus less funding was required during FY2021. This led to a drop in the Group's borrowings and thereby limited the available funds of the Group to lend to our customers. As such, the Group's return on equity decreased in FY2021 notwithstanding the positive net interest margin of the Group.

## **Net profit margin and net interest margin**

There was an increase in our net profit margin and net interest margin from approximately 47.9% and 13.1% in FY2020 to approximately 51.0% and 13.7% in FY2021 respectively. The reason for such an increase was mainly due to the decrease in finance cost by approximately HK\$17.5 million during FY2021.

## **PROSPECTS**

Looking ahead, it is expected that local enterprises, especially SMEs, will remain cautious for future expansion until they see a sustainable recovery of COVID-19 and resumption of vital economic activities. In response to this, the Group will continue to strengthen its risk management measures, such as increasing the proportion of first mortgage loans, further tightening the loan-to-value ratio, adopting a more cautious approach when granting loans in order to maintain financial stability of the Group and wait for market recovery.

Currently, the Companies Registry has implemented additional licensing conditions for money lenders. With the tightening of regulatory measures, the number of money lender licenses might slightly drop in the future. We believe that, being one of the few listed financial institutions in Hong Kong, Oi Wah will be more competitive and the Group is well-prepared to capture the opportunity to expand its market share in the industry.

In addition, COVID-19 has changed consumers behavior, where people stayed at home and boosted up “Home Economies”. It is important for the Group to keep abreast with the latest technology and innovation. Therefore, we are currently developing a mobile app to capture the opportunity of the online pawn loan market. The mobile app aims to make the pawning process simpler and more accessible for everyone, everywhere. We believe that such 24/7 service allows the Group to cater the needs of the busy generation, as well as to promote our pawn loan business at a lower cost.

## **SHARE OPTION SCHEME**

A share option scheme (the “**Share Option Scheme**”) was adopted by the Company on 19 February 2013.

As at 28 February 2021, being the financial year end of FY2021 for the Group:

- i) a total of 40,000,000 options to subscribe for shares were available for issue under the Share Option Scheme, representing approximately 2.1% of the total issued shares of the Company as at 28 February 2021;
- ii) an option granted under the Share Option Scheme may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as the Board may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof; and
- iii) the Share Option Scheme will remain in force until 18 February 2023.

## **HUMAN RESOURCES**

As at 28 February 2021, our Group had a total of 51 staff (29 February 2020: 50). Total staff costs (including Directors’ emoluments) were approximately HK\$29.1 million for FY2021 (FY2020: approximately HK\$30.4 million). Remuneration is determined with reference to market conditions and the performance, qualifications and experience of each individual employee. Bonus based on individual performance will be paid to employees as recognition of and reward for their contributions. Other benefits include a share option scheme and contributions to statutory mandatory provident fund scheme to our Group’s employees in Hong Kong.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

During FY2021, the Company repurchased a total of 6,096,000 shares of the Company on the Stock Exchange at the aggregate consideration of approximately HK\$1.7 million (before expenses). All the repurchased shares were cancelled during FY2021.

Particulars of the repurchases are as follows:

<b>Month</b>	<b>Number of shares repurchased</b>	<b>Purchase price per share</b>		<b>Aggregate Consideration (before expenses) (HK\$)</b>
		<b>Highest (HK\$)</b>	<b>Lowest (HK\$)</b>	
March 2020	4,432,000	0.300	0.260	1,253,400.00
April 2020	1,200,000	0.305	0.280	345,520.00
May 2020	464,000	0.300	0.295	137,440.00
Total	<u>6,096,000</u>			<u>1,736,360.00</u>

The above share repurchases were made with a view to stabilise the price per share of the Company, as the management of the Company considered that the market price of the share might not be able to truly reflect the value of the Company's shares and the Company's prospects.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's securities during FY2021.

## **MATERIAL ACQUISITIONS AND DISPOSALS**

Our Group did not engage in any material acquisitions or disposals during FY2021.

## **FOREIGN CURRENCY EXPOSURE**

The business activities of the Group were denominated in HKD. The Directors did not consider the Group was exposed to any significant foreign exchange risks during FY2021. As the impact from foreign exchange exposure was minimal, the Directors were of the view that no hedging against foreign currency exposure was necessary. In view of the operational needs, the Group will continue to monitor the foreign currency exposure from time to time and take necessary actions to minimise the exchange related risks.

## **EVENTS AFTER THE REPORTING PERIOD**

Subsequent to the end of FY2021 and up to the date of this announcement, there is no important or significant events that affects the business of the Group.

## CORPORATE GOVERNANCE CODE

Our Company has adopted the code provisions set out in the Corporate Governance Code (the “**Code Provisions**”) and Corporate Governance Report contained in Appendix 14 to the Listing Rules.

Throughout FY2021, our Company complied with the Code Provisions, save for the deviation from Code Provision A.2.1 and Code Provision A.6.7 which is explained below.

Code Provision A.2.1 requires that the roles of the chairman and the chief executive to be separate and should not be performed by the same individual. Mr. Chan Kai Ho Edward (“**Mr. Chan**”), an executive Director, currently holds both positions. Mr. Chan has been the key leadership figure of our Group and has been primarily involved in the formulation of business strategies and determination of the overall direction of our Group. He has also been chiefly responsible for our Group’s operations as he directly supervises other executive Directors and senior management of our Group. Taking into account the continuation of the implementation of our Group’s business plans, our Directors (including the independent non-executive Directors) consider that Mr. Chan is the best candidate for both positions and the present arrangements are beneficial and in the best interests of our Company and its shareholders (the “**Shareholders**” or “**our Shareholders**”) as a whole.

The Directors will review our Company’s corporate governance policies and compliance with the Code Provisions from time to time.

## COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

Our Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by our Directors. Our Company confirms that, having made specific enquiry of all the Directors, our Directors complied with the required standards as set out in the Model Code during FY2021.

## REVIEW OF FINAL RESULTS BY THE AUDIT COMMITTEE

The audit committee of the Company (the “**Audit Committee**”) consists of three independent non-executive Directors, namely, Mr. Lam On Tai, Dr. Leung Shiu Ki Albert and Dr. Yip Ngai (“**Dr. Yip**”), and is chaired by Dr. Yip.

The Audit Committee has discussed with the management of the Company about the internal control and financial reporting matters including the accounting principles and practices related to the preparation of the consolidated financial statements for FY2021, and it has not identified any significant deficiency or material weakness. The Audit Committee has also reviewed the consolidated financial statements for FY2021 with the management and the auditor of the Company and recommended them to the Board for approval.

## SCOPE OF WORK PERFORMED BY AUDITOR

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, and the related notes thereto for the year ended 28 February 2021 as set out in the preliminary announcement have been agreed by the Group's auditor, SHINEWING (HK) CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by SHINEWING (HK) CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by SHINEWING (HK) CPA Limited on the preliminary announcement.

## ANNUAL GENERAL MEETING

The annual general meeting of our Company for FY2021 is scheduled to be held on 29 July 2021 (the "AGM"). A notice convening the AGM will be issued and disseminated to our Shareholders in due course.

## DIVIDEND

At our Board meeting held on 26 May 2021 (the "**Board Meeting**"), our Directors recommended the payment of a final dividend (the "**Final Dividend**") of HK\$0.64 cents per ordinary share. In addition, during the Board Meeting, our Directors also recommended the payment of a special dividend (the "**Special Dividend**") of HK\$0.48 cents per ordinary share to the Shareholders in recognition of their continuous support to the Company.

The Final Dividend and the Special Dividend, together with the interim dividend of HK\$0.81 cents per share declared and paid during FY2021, represent 40.0% of the profit attributable to the Shareholders for FY2021.

The Final Dividend and the Special Dividend are subject to approval by the Shareholders at the AGM and will be paid on Thursday, 19 August 2021 to the Shareholders whose names appear on the register of members of our Company at the close of business on Monday, 9 August 2021.

## CLOSURE OF REGISTER OF MEMBERS

In order to determine the identity of our Shareholders who are entitled to attend and vote at the AGM, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with our Company's Hong Kong branch share registrar, Boardroom Share Registrars (HK) Limited at 2103B, 21/F., 148 Electric Road, North Point, Hong Kong, no later than 4:30 p.m. on Friday, 23 July 2021. The register of members of our Company will be closed from Monday, 26 July 2021 to Thursday, 29 July 2021, both days inclusive, during which period no transfer of shares will be registered.

In order to establish the identity of the Shareholders of our Company who are entitled to the Final Dividend and the Special Dividend, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with our Company's Hong Kong branch share registrar, Boardroom Share Registrars (HK) Limited at 2103B, 21/F, 148 Electric Road, North Point, Hong Kong, no later than 4:30 p.m. on Tuesday, 3 August 2021. The register of members of our Company will be closed from Wednesday, 4 August 2021 to Monday, 9 August 2021, both days inclusive, during which no transfer of shares will be registered.

## **PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT**

This announcement is also published on our Company's website ([www.pawnshop.com.hk](http://www.pawnshop.com.hk)) and the designated website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)). The annual report for the year ended 28 February 2021 containing all relevant information required by Appendix 16 to the Listing Rules will be disseminated to our Shareholders and will be available on the above websites in due course.

By Order of the Board of  
**Oi Wah Pawnshop Credit Holdings Limited**  
**Chan Kai Ho Edward**  
*Chairman, Chief Executive Officer and Executive Director*

Hong Kong, 26 May 2021

*As at the date of this announcement, the Board comprises Mr. Chan Kai Ho Edward (Chief Executive Officer and Chairman), Mr. Chan Chart Man, Ms. Chan Mei Fong and Ms. Chan Ying Yu as executive Directors; Mr. Chan Kai Kow Mackston and Mr. Ng Siu Hong as non-executive Directors; and Mr. Lam On Tai, Dr. Leung Shiu Ki Albert and Dr. Yip Ngai as independent non-executive Directors.*